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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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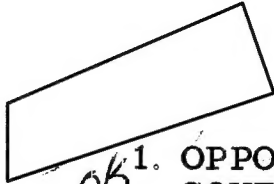
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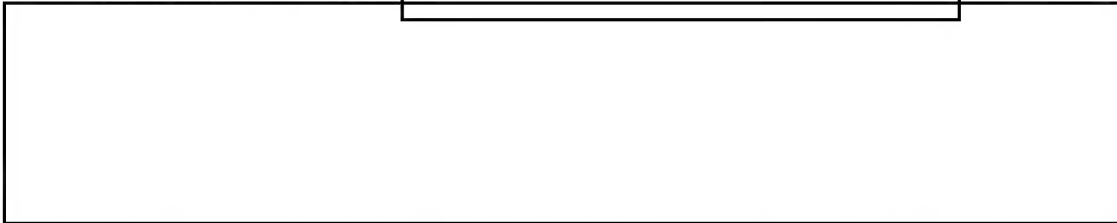
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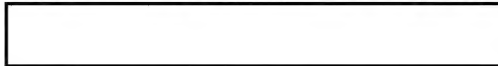


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GOVERNMENT

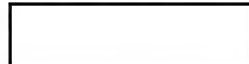
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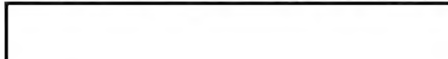
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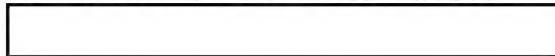
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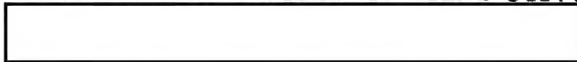
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1. OPPOSITION TO MILITARY CONTROL OF
GUATEMALAN GOVERNMENT

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Political and military leaders in Guatemala are trying to persuade Defense Minister Oliva, who is in virtual control of the country, not to run for president.

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The argument is that Oliva is needed as minister of defense in order to keep the military united. As a cabinet minister and high military figure, he is constitutionally ineligible to become president.

the army would split into hostile factions if either Oliva or the ambassador to the United States, Col. Jose Luis Cruz Salazar, Oliva's strongest military rival for the presidency, became a presidential candidate.

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The administration party--the National Democratic Movement (MDN)--and other political and military elements are reported to favor the candidacy of the Supreme Court president, Miguel Ortiz Passerelli.

Comment

Oliva, who probably could arrange to evade constitutional barriers to his candidacy, was believed to command the support of both military and political leaders, including high MDN figures, in his plan to become president. It is possible that sudden withdrawal of this support in favor of a civilian candidate could provoke reprisals by Oliva.

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4. ZHUKOV COMMENTS ON SOVIET ARMED FORCES

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the Soviet armed forces number far less than Western estimates which, according to Zhukov, exceeded 4,000,000 men. US

intelligence estimates the strength of the Soviet armed forces to be 4,200,000 exclusive of 400,000 security troops, and public Western statements have given even higher figures. The USSR claims it has reduced its military manpower by 1,840,000 men since August 1955. While the reduction program was reported to have been halted in September 1956, recently available Soviet statistics on their labor force suggest that a substantial proportion of the announced demobilization has been accomplished.

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he would like to release the actual figures on the Soviet armed forces, but that Khrushchev and Bulganin did not agree. When Khrushchev was asked the strength of Soviet forces during an interview on 28 May for an American television network, he declined to answer on the grounds that as he had not expected the question, he had not asked Defense Minister Zhukov for the figure. He added, however, "we are always ready to answer this question."

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the United States had an effective radar network around the perimeter of the USSR manned by highly trained and efficient personnel, together with a reserve of highly trained electronic technicians, while he had "only Ivan."

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Zhukov apparently considered that this problem would inhibit any further reduction of Soviet armed forces.

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5. SOVIET-POLISH TROOP CLASH REPORTED

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[REDACTED] a
clash between Soviet and Polish military
forces took place earlier this summer
during exercises of Soviet troops some-
where in southwestern Poland. The
incident apparently occurred when Polish
troops surrounded the area in response to
protests of local peasants that their crops
were being damaged by the maneuvers.
Moscow reportedly ordered an immediate
cease-fire, restoration of order, and an apology to Polish
leaders by Soviet commanders including General Galicki,
commander of Soviet Northern Group of Forces.

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The reported Soviet reaction would be
further evidence of the USSR's extreme nervousness over
Polish anti-Sovietism and the danger that it may break into
the open. The willingness with which Polish military forces
reportedly came to the aid of the peasants, and the rapidity
and extent of the intervention, would have impressed Soviet
leaders. [REDACTED]

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6. USSR SAID TO FAVOR SOCIALISTS IN
GERMAN ELECTIONS

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[REDACTED] Soviet Deputy Foreign Minister
Semenov "clearly stated" [REDACTED]

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[REDACTED] that the Soviet Union
would like to see Socialist party chief Ollenhauer win the
German elections, according to the American embassy.
Semenov said that Adenauer's policies were leading toward
war. [REDACTED]

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Comment

Khrushchev earlier was reported to
have remarked that Ollenhauer "is a
man we can trust."

Moscow probably believes that any
diminution of Adenauer's prestige as a result of the
elections would benefit Soviet objectives. The Soviet
leaders probably do not believe that Ollenhauer would
be any more amenable but may hope that neither party
will win a firm majority, forcing a coalition which would
necessarily show less resolve than the present Adenauer
government.

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7. SOVIET-YUGOSLAV IDEOLOGICAL TALKS
APPARENTLY TO CONTINUE

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The sudden arrival in Yugoslavia of a Soviet delegation led by presidium candidate member Mzhavanadze, Georgian party boss, strongly suggests a continuation of discussions on Soviet-Yugoslav ideological differences begun on 18 July in Moscow between Yugoslav Vice

Presidents Kardelj and Rankovic and Soviet party boss Khrushchev. President Tito last week interrupted his summer stay in Brioni to return hurriedly to Belgrade, and his two top aides, Kardelj and Rankovic, reappeared on 31 July in Belgrade following an unexpected curtailment of their European tour.

On 1 August the Yugoslavs announced that "functionaries" of the central committee of the Communist Party of Georgia had arrived as guests of the Yugoslav party. They will tour Yugoslavia for two weeks accompanied by a top Yugoslav ideologist, Jovan Veselinov.

Mzhavanadze was elected a candidate member of the Soviet party presidium in June and is closely linked with Khrushchev. Veselinov participated with Kardelj in the conversations the Yugoslavs recently held in Moscow.

Strains between the Soviet and Yugoslav parties were reduced by the compromise agreement concluded on 29 July regarding the resumption of the "postponed" Soviet credits to Yugoslavia.

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8. SOUVANNA PHOUMA LOOKS FOR EARLY COALITION
GOVERNMENT IN LAOS

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The advance text of Laotian Premier-designate Souvanna Phouma's imminent investiture speech.

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calls for the temporary expansion of the cabinet to include Pathets until a permanent coalition government can be created after supplementary elections are held in late December or early next January. By 1 October he expects to implement a settlement with the Pathet Lao on the basis of last year's 28 December accord which provides for a coalition government.

Souvanna's projected government, dedicated to strict neutrality and the "broadest possible formula for national union," would guarantee full rights to reintegrated Pathet personnel and to subsequently organized Pathet political organizations, provided Laotian laws are strictly observed. The envisaged settlement calls for the dissolution of Pathet administrative and military organizations concurrent with the re-establishment of royal authority over the two northern provinces and integration of Pathet combat units into the national army.

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Comment

Souvanna's program, which might still be modified before presentation to the National Assembly, contains no firm provisions for obtaining guarantees of Pathet Lao submission to royal authority, indicating his disdain of the tough approach counseled by his party rival, Katay Sasorith. Although failure to gain such guarantees caused his downfall last May, Souvanna probably feels able to continue his original policies because of the inability of his critics to form a new government.

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9. **INDONESIAN COMMUNISTS GAIN IN EAST JAVA
PROVINCIAL ELECTIONS**

Partial returns from the East Java provincial elections held on 29 July show the Communist Party well ahead of its closest opponent, the orthodox Moslem organization, Nahdlatul Ulama. On the basis of these returns, which are chiefly from the cities, the Communists have increased their electoral strength in East Java by approximately 25 percent over the vote they polled in the national elections of 1955. Returns have not yet been reported

from rural areas where the Nahdlatul Ulama (NU), the leading party in East Java in the 1955 elections, is expected to make its best showing. Thus far in East Java, the Communist Party has made its gains chiefly at the expense of the National Party, repeating a trend in the earlier local elections in Djakarta and Central Java. The Moslem parties in those areas largely held their own.

In Central Java, where elections were held on 17 and 27 July, 90 percent of the returns indicate a 10-percent gain by the Communists over the 1955 elections. The Communists polled about 40 percent of the total votes compared with 29 percent for the former first-place Nationalists, 23 percent for the NU and 7 percent for the Masjumi.

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10. OPPOSITION PARTY NOMINATING CONVENTION
IN PHILIPPINES

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The opposition Liberal Party nominating convention, which opens on 3 August, is generally expected to name Jose Yulo, respected prewar speaker of the house, and Diosdado Macapagal, an able pro-American congressman, as its presidential and vice-presidential candidates for the November Philippine elections. Although a Yulo-Macapagal combination is one of the strongest tickets available to the Liberals, it reportedly has lacked mass appeal in preconvention campaigning, and the party organization is still weakened by losses during the Magsaysay administration and the lingering stigma of [redacted] Quirino regime. In addition, hoped-for divisions in the administration party have not yet materialized, and there are some indications that Senator Claro Recto, whose independent presidential candidacy was expected to draw votes from the Nacionalistas, may eventually withdraw from the race.

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Selection of Liberal senatorial candidates will probably be left up to the party executive committee, the same course adopted by the recent Nacionalista convention. This counters a similar move by the Nacionalistas to keep disappointed office seekers from bolting to the opposition. It also enables continued bargaining with the fledgling Progressive Party, organized by close associates of the late president Magsaysay. [redacted]

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11. BULGARIAN REGIME BROADENS PARTY SHAKE-UP

Hard-line Communist Party leaders Yugov, Zhivkov, and Chervenkov have extended the Bulgarian party shake-up to local officials,

The principal victims are reportedly those who had criticized Chervenkov for a "personality cult" when he was premier, particularly at the time of the April 1956 central committee meeting--Bulgaria's equivalent of the Soviet 20th party congress.

Distrust and apprehension in the party rank and file is said to have returned to the level of the Stalin era. Tension also continues within the leadership, where there is fear of army officials who reportedly sympathize with the first victims of the shake-up, high-level party officials Chankov, Terpeshev, and Panov.

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CORRECTION TO WATCH REPORT 365, 1 AUGUST 1957

Paragraph C should read: "Early deliberate initiation of hostilities by Israel or the Arab states is not probable. Although tensions continue between the Arab states and Israel and among certain Arab states themselves, these are not likely to lead to serious conflict in the immediate future."